

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

**BOARD OF ADMINISTRATION**

**INVESTMENT COMMITTEE**

**May 15, 2006**

**Chief Investment Officer's**

**Consolidated Investment Activity Report**

**(March 2006 Reporting Period)**

## Market Environment – March 31, 2006

### General Market Commentary

Domestic and International equity markets posted positive results during March while the bond market fell as long-term yields began to rise. The Fed continued its ongoing rate hike campaign, raising the Federal Funds target rate to 4.75%. Gold futures reached a 25-year high during March.

### Domestic and International Equities

Small-cap stocks led the equity rally during the month, returning 4.9% (Russell 2000). Value and growth stocks posted similar returns across capitalizations during the month. The DJIA reached a 6-year high in March. Domestic markets were able to keep pace with international markets in the month, even with a depreciating dollar. The MSCI EAFE Index of developed nations rose by 3.3% and the MSCI Emerging Markets Free Index rose by 0.9%.

### Domestic and International Fixed Income

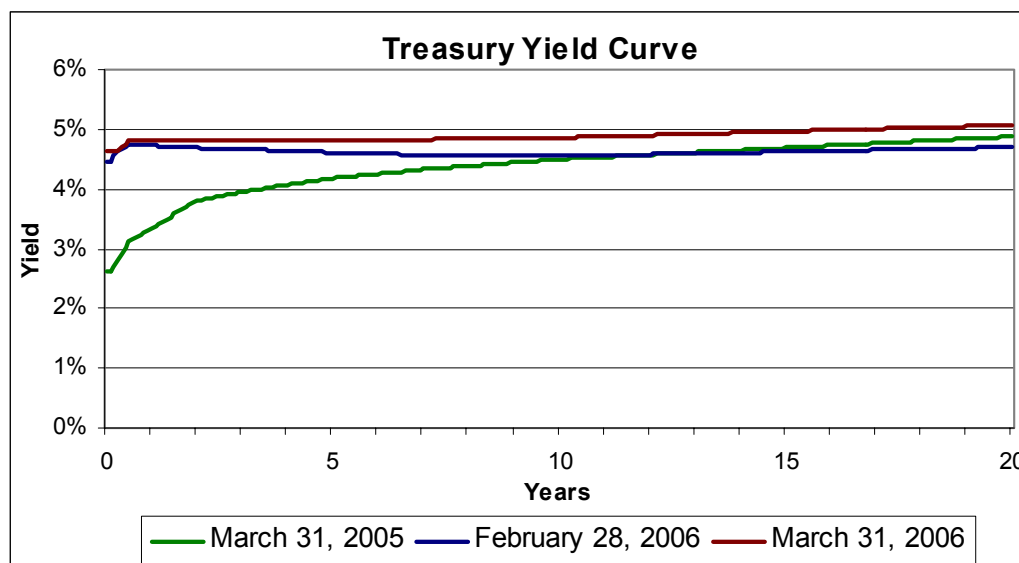
The U.S. Fixed income market took a strong hit during the month as long-term yields rose across the board. The Lehman Brothers Aggregate Bond Index returned a loss of (1.0%) in March. 90-day Treasury Bills rose 0.4%. Treasury Inflation Protected Securities took the hardest hit in the month, with a loss of (2.2%). Outside the U.S. the Citigroup World Government Bond Index ex US fell by (1.2%), in U.S. dollar terms.

### Real Estate

Real estate, as measured by the NAREIT Equity Index, rose by 5.0% in March. The NCREIF Index of Real Estate Properties returned 5.4% in the quarter ended December 2005.

### Private Equity, Absolute Return Strategies

The Venture Economics All Private Equity Index returned 27.0% for the 12 months ended September 2005 and 12.4% for the 10 years ended September 2005. Absolute Return funds (CSFB/Tremont Hedge Fund Index) returned 1.82% in March 2006.



MARKET INDICATORS	3/31/2005	Direction	2/28/2006	Direction	3/31/2006
1m LIBOR (fixed in \$)	2.87%	▲	4.63%	▲	4.83%
Federal Funds	2.75%	▲	4.50%	▲	4.75%
10Y Treasury Note Yield	4.50%	▲	4.55%	▲	4.85%
30Y Treasury Bond Yield	4.77%	▼	4.50%	▲	4.89%
DJ-Wilshire 5000 Comp	11,637.25	▲	12,901.14	▲	13,121.56
S&P 500	1,180.59	▲	1,280.66	▲	1,294.87
NASDAQ Composite	1,999.23	▲	2,281.39	▲	2,339.79
FTSE 100 Index	4,894.40	▲	5,791.50	▲	5,964.60
Nikkei 225 Index	11,668.95	▲	16,205.43	▲	17,059.66
Yen/\$ (Dollar Strength)	107.220	▲	115.820	▲	117.480
Euro/\$ (Dollar Strength)	0.771	▲	0.839	▼	0.824
GBP/\$ (Dollar Strength)	0.529	▲	0.570	▲	0.575
Crude Oil per Barrel	\$ 55.40	▲	\$ 61.41	▲	\$ 66.67
Gold (\$/oz Daily Spot)	\$ 427.50	▲	\$ 556.00	▲	\$ 582.00
GS Commodities Index	\$ 383.87	▲	\$ 415.86	▲	\$ 442.52

## CalPERS Asset Allocation – March 31, 2006

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### Summary

- Total Fund Market Value was \$207.1 Billion
- Total Fund Book Value was \$161.3 Billion
- All Asset Classes are within their permissible ranges relative to target ranges and strategic target levels.

### Book to Market Value Comparison

	Book Value (\$ Billion)	Market Value (\$ Billion)	Difference (\$ Billion)
<b>Total Cash Equivalents</b>	<b>\$0.7</b>	<b>\$0.7</b>	<b>\$0.0</b>
<b>Total AIM Direct/Partnership</b>	<b>\$12.4</b>	<b>\$10.5</b>	<b>-\$1.9</b>
<b>Total Global Fixed Income</b>	<b>\$50.7</b>	<b>\$50.1</b>	<b>-\$0.6</b>
Domestic Equities <sup>1</sup>	\$49.0	\$85.0	\$36.0
International Equities	\$37.4	\$49.9	\$12.5
<b>Total Global Equities</b>	<b>\$86.4</b>	<b>\$134.9</b>	<b>\$48.5</b>
<b>Total Real Estate</b>	<b>\$11.1</b>	<b>\$10.9</b>	<b>-\$0.2</b>
<b>Total Equities and Real Estate</b>	<b>\$97.5</b>	<b>\$145.8</b>	<b>\$48.3</b>
<b>Total Fund</b>	<b>\$161.3</b>	<b>\$207.1</b>	<b>\$45.8</b>

<sup>1</sup> Included is MDP Investment - LM Capital Investment: Total Book Value=**\$184.5M**, Total Market Value=**\$179.3M**.

\* Figures for this report are rounded for viewing purposes. Calculations are based on actual values. When summing net amounts on this report, there may be breakage.

### Top Company Exposures

- As a very significant institutional investor, CalPERS has large exposures to the securities of many corporations either through internal or externally managed portfolios. Consistent with board requested information and in support of the Board of Administration's oversight role, a schedule of the top 20 company exposures is prepared for informational purposes and can be found on Page 4.

## CalPERS Total Fund Top 20 Company Exposures

Based on Total Market Values as of 3/31/2006

Company Name	Equity Exposure				Total Equity Market Value	Fixed Income Exposure			Total FI Market Value	Real Estate Exposure <sup>(1)</sup>	TOTAL Market Value	% of Total Fund <sup>(3)</sup>
	Internally Managed Active	Internally Managed Passive	Externally Managed Active	Externally Managed Passive		Internal	External	Sec. Lending <sup>(2)</sup>				
GENERAL ELECTRIC	267,330,592	1,348,006,718	223,565,005		1,838,902,315	81,686,501	73,783,039	701,866,494	857,336,034		2,696,238,349	0.95%
EXXON MOBIL CORP	225,169,706	1,419,705,564	251,402,375		1,896,277,645				0		1,896,277,645	0.90%
BANK OF AMERICA CORP	71,712,339	779,160,938	158,934,038		1,009,807,315	52,234,372	6,049,739	610,560,000	668,844,111		1,678,651,426	0.51%
MICROSOFT CORP	167,279,652	1,062,139,629	206,624,260		1,436,043,541				0		1,436,043,541	0.68%
CITIGROUP	171,217,535	908,535,172	198,683,239		1,278,435,946	87,548,989	26,738,091		114,287,080		1,392,723,026	0.66%
BERKSHIRE HATHAWAY	126,860,546	513,381,198	21,594,250		661,835,994	232,235,429	1,011,244	200,107,500	433,354,173		1,095,190,167	0.43%
WAL MART STORES INC	145,001,574	718,997,524	58,654,789		922,653,887	126,503,092	3,994,382		130,497,474		1,053,151,361	0.50%
JOHNSON + JOHNSON	157,159,280	648,382,014	136,340,223		941,881,517	13,999,550			13,999,550		955,881,067	0.45%
PFIZER INC	88,476,043	678,486,872	155,829,468		922,792,383	11,090,770			11,090,770		933,883,153	0.44%
HSBC HOLDINGS	0	211,584,885	141,189,383	198,114,625	550,888,893	150,401,971	26,921,603	202,472,354	379,795,928		930,684,821	0.35%
PROCTER + GAMBLE CO	99,651,255	719,499,327	97,387,347		916,537,929	4,849,682			4,849,682		921,387,611	0.44%
JPMORGAN CHASE & CO	119,191,960	536,520,300	107,101,143		762,813,403	32,993,419	7,883,040	99,883,140	140,759,599	8,828,590	912,401,592	0.39%
AMERICAN INTL GROUP INC	77,719,329	635,475,177	85,027,073		798,221,579	9,179,715	39,391,158		48,570,873		846,792,452	0.40%
CHEVRONTXACO CORP	81,218,637	478,727,854	98,175,036		658,121,527	115,257,081			115,257,081		773,378,608	0.37%
VERIZON COMMUNICATIONS	45,548,029	368,368,675	69,812,758		483,729,462	269,913,987	4,549,729		274,463,716		758,193,178	0.36%
CONOCOPHILLIPS	64,428,345	324,628,890	114,298,406		503,355,641	234,375,921			234,375,921		737,731,562	0.35%
CISCO SYS INC	90,172,142	524,537,519	91,476,909		706,186,570	14,838,218			14,838,218		721,024,788	0.34%
PRUDENTIAL FINL INC	233,114,234	154,379,484	253,530,976		641,024,694	14,451,198	64,954,213		79,405,411		720,430,105	0.34%
INTERNATIONAL BUSINESS M	105,437,318	481,492,848	71,818,257	0	658,748,423	8,086,032	3,331,638		11,417,670		670,166,093	0.32%
ROYAL DUTCH SHELL	0	237,374,848	207,779,687	223,066,752	668,221,287				0		668,221,287	0.32%

(1) Real Estate exposure data only includes the 20 companies with the highest annual lease revenues for each core partnership, excludes properties in escrow. The market value exposures are calculated based only on two years of expected lease revenues.

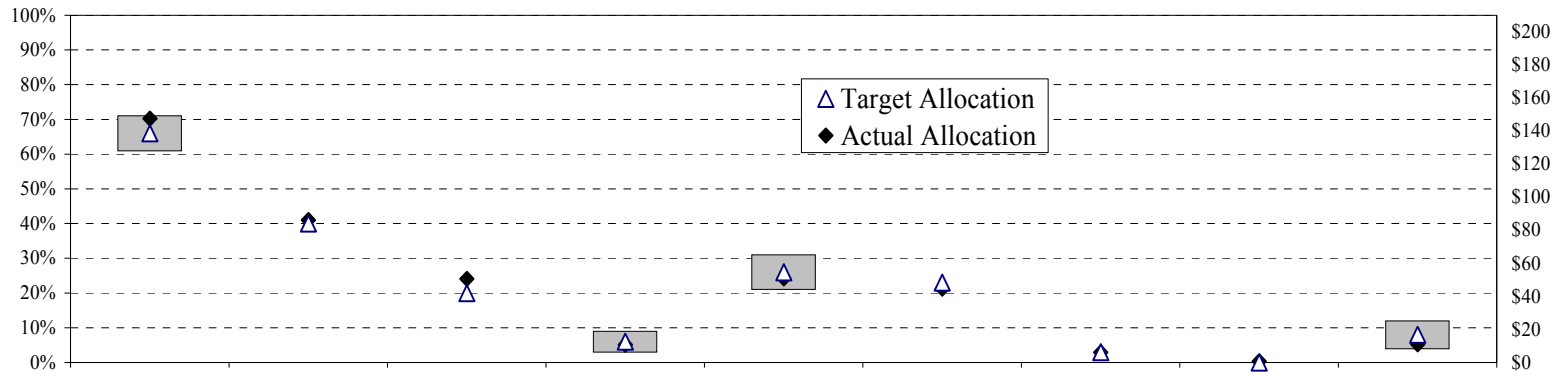
(2) Does not include Repos

(3) Excludes securities lending exposure

# CalPERS

## Asset Allocation as of March 31, 2006

Total Fund Market Value: **\$207,119,150,850**



	Total Equity	Domestic Equity	International Equity	Private Equity	Total Fixed	Domestic Fixed	International Fixed	Cash <sup>1</sup>	Real Estate	Total Fund
Target Range	61-71%	N/A	N/A	3-9%	21-31%	N/A	N/A	N/A	4-12%	N/A
Strategic %	66.0%	40.0%	20.0%	6.0%	26.0%	23.0%	3.0%	0.0%	8.0%	N/A
Actual %	70.2%	41.0%	24.1%	5.1%	24.2%	21.3%	2.9%	0.3%	5.2%	N/A
Variance %	4.2%	1.0%	4.1%	(0.9%)	(1.8%)	(1.7%)	(0.1%)	0.3%	(2.8%)	N/A
Strategic \$ <sup>2</sup>	\$136.7	\$82.8	\$41.4	\$12.4	\$53.9	\$47.6	\$6.2	\$0.0	\$16.6	N/A
Actual \$ <sup>2,3</sup>	\$145.4	\$85.0	\$49.9	\$10.5	\$50.1	\$44.0	\$6.1	\$0.7	\$10.9	N/A
Variance \$ <sup>2</sup>	\$8.7	\$2.2	\$8.5	(\$1.9)	(\$3.7)	(\$3.6)	(\$0.2)	\$0.7	(\$5.7)	N/A
% Passive	56.2%	80.0%	27.5%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%	39.7%
% Active	43.8%	20.0%	72.5%	100.0%	100.0%	100.0%	100.0%	100.0%	95.5%	60.3%
% Internal <sup>4</sup>	50.9%	80.0%	12.0%	0.0%	87.5%	99.5%	0.0%	39.0%	4.5%	57.3%
% External <sup>4</sup>	49.1%	20.0%	88.0%	100.0%	12.5%	0.5%	100.0%	61.0%	95.5%	42.7%

MDP Venture accounts included in MDP's primary asset class. MDP Fixed and Enhanced Index Equity roll to External Domestic Equity.

<sup>1</sup> Cash includes SMIF at STO.

<sup>2</sup> (\$ Billion)

<sup>3</sup> Based upon Trade Date Accounting as recommended by CFA Institute GIPS Standards.

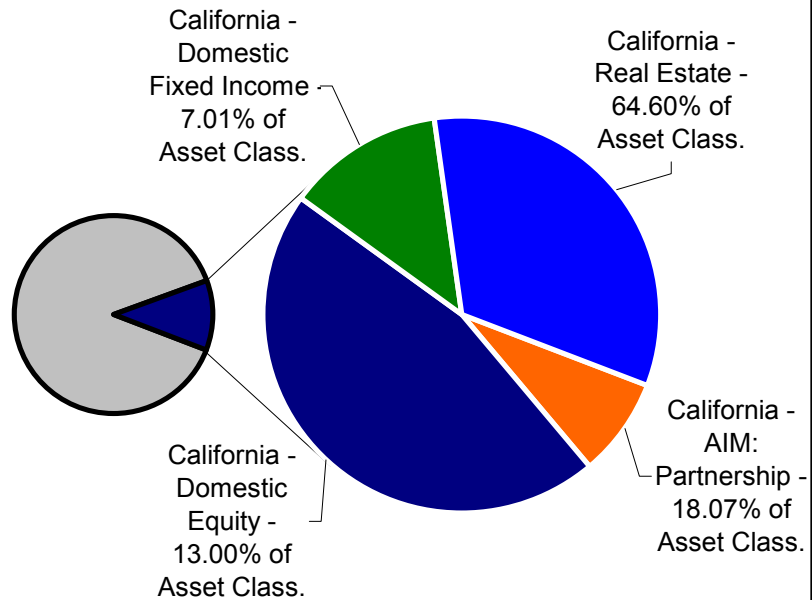
<sup>4</sup> For cash percentage only, average over previous 6 months.

Private Equity Asset Allocation as of 3/31/2006			
Funded	\$(in Billions)	% Allocation	Target Range
Current Market Value	\$10.52	5.1%	
Unfunded Commitment	\$12.30	5.9%	
<b>Current Market Value plus Unfunded Commitment</b>	<b>\$22.82</b>	<b>11.0%</b>	<b>3-9%</b>

## CalPERS Investments in the State of California – March 31, 2006

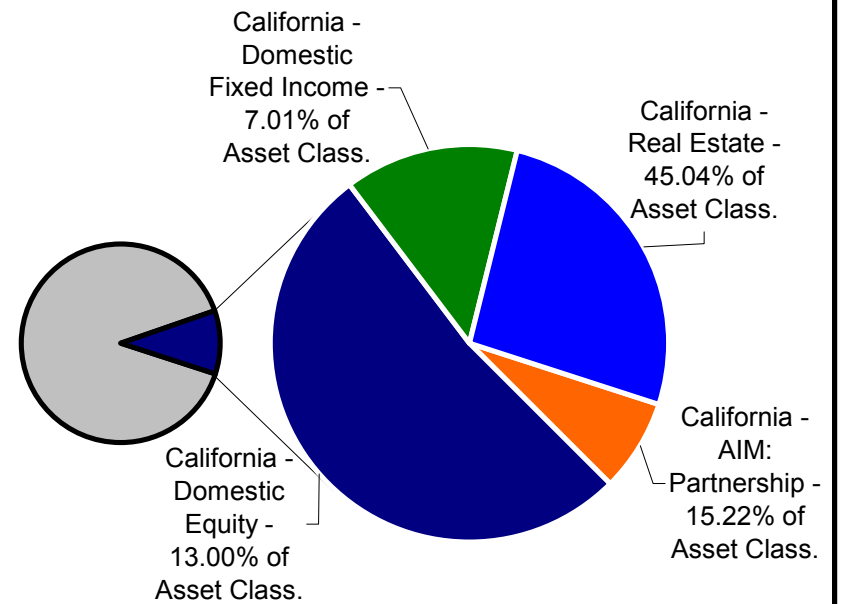
### California Commitments (includes unfunded investments)

Current California Commitments at 3/31/2006 Total Fund %: 11.52%



### California Investments

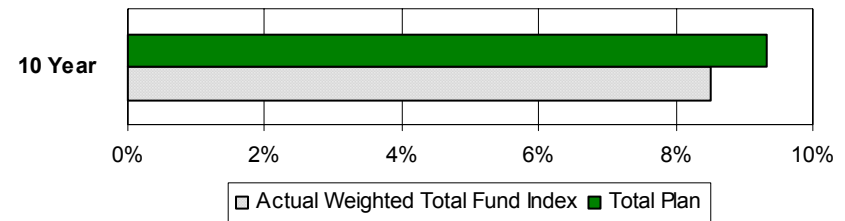
Current California Investments at 3/31/2006 Total Fund %: 10.21%



## Performance Summary – March 31, 2006

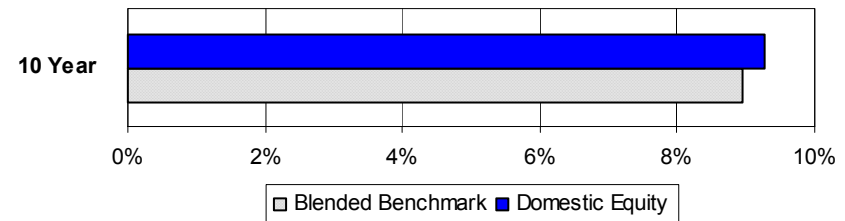
### Total Plan:

Net Total Fund returns have exceeded the Actual Weighted Total Fund Index in all periods shown. Ten-year net returns were 9.34% versus 8.50% for the actual weighted index.



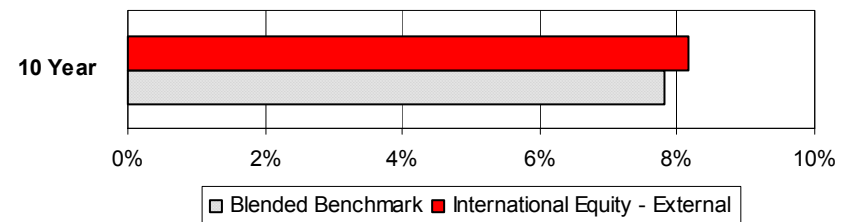
### Domestic Equity:

Net Domestic Equity returns have exceeded or equaled the Blended Index in all periods shown. Ten-year net returns were 9.28% versus 8.94% for the blended benchmark.



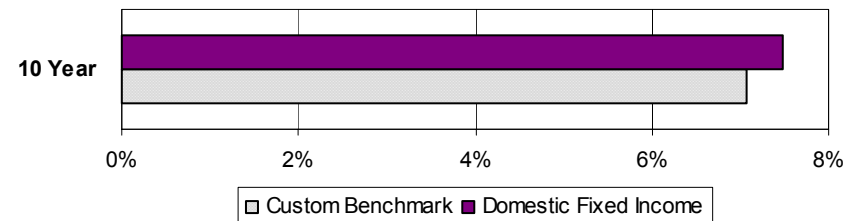
### International Equity:

Net International Equity (External) returns including the currency overlay outperformed during all periods except for the three-year and five-year periods. Ten-year net returns were 8.15% (7.88% without currency overlay) versus 7.81% for the blended benchmark. The Internal portfolio has returned 28.76% since its 5/1/2005 inception (exceeding its benchmark of 28.30%).



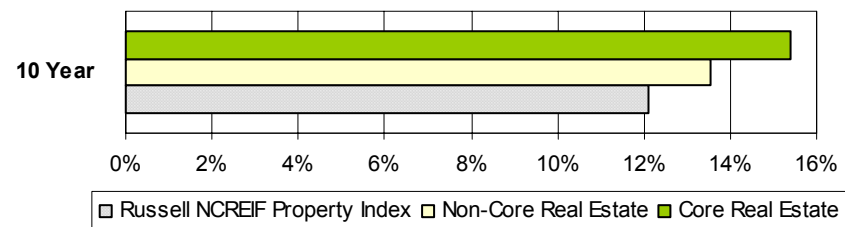
### Domestic Fixed Income:

Net Domestic Fixed Income returns have exceeded the benchmark in all periods shown. Ten-year net returns were 7.49% versus 7.07% for the benchmark.



### Real Estate:

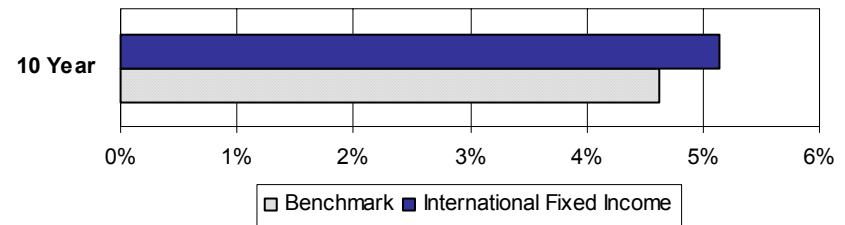
Net returns to the Core Real Estate Portfolio have exceeded the NCREIF Property benchmark in all periods shown. Non-core portfolio returns have exceeded the benchmark in all periods shown. Ten-year net returns were 15.38% for the Core Real Estate portfolio and 13.56% for Non-Core Real Estate versus 12.10% for the lagged benchmark.



## Performance Summary – March 31, 2006

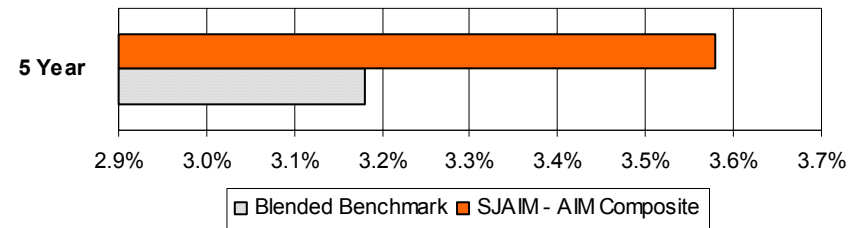
### International Fixed Income:

Net International Fixed Income returns have underperformed in the short-term, but exceeded the benchmark in periods greater than one year. Ten-year net returns were 5.14% versus 4.62% for the benchmark.



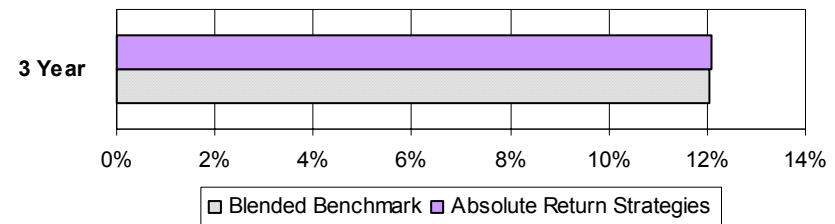
### Alternative Investments:

Net returns for the Alternative Investments portfolio have underperformed the blended benchmark in the short-term periods, but outperformed for the one-, three-, and five-year periods. Five-year net returns are shown for the AIM Composite, which includes distributed stock (3.58% vs. 3.18%). Ten-year net returns for the AIM Partnership & Direct Composite were 12.57%, exceeding the ten-year custom blended benchmark return of 7.82%.



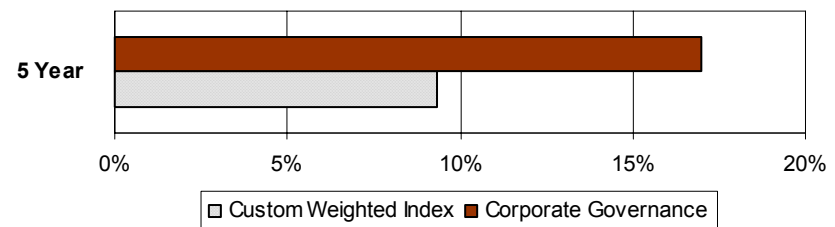
### Absolute Return Strategies:

Net Absolute Return Strategies returns have outperformed in all time periods. Three-year net returns were 12.08% versus 12.03% for the blended benchmark.



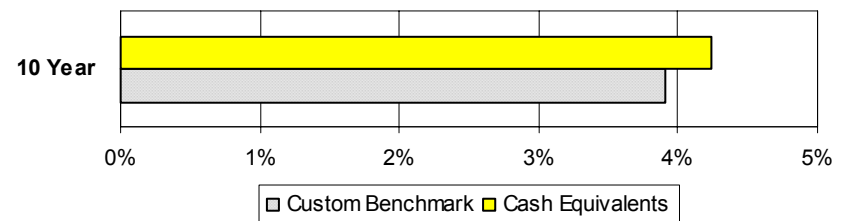
### Corporate Governance:

Net returns to Corporate Governance Investments have exceeded the Custom Benchmark in all periods shown except for in the current quarter and fiscal-year-to-date. Five-year net returns were 17.01% versus 9.36% for the weighted index.



### Cash Equivalents:

Net returns for the Cash Equivalents portfolio have exceeded the benchmark in all periods shown. Ten-year net returns were 4.24% versus 3.91% for the custom benchmark.





**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CIO REPORT**  
**GROSS RATES OF RETURN**  
**Period Ending March 31, 2006**  
**Investment Committee Meeting May 2006**

	<b>MKT VAL (000'S)</b>	<b>One Month Mar 06</b>	<b>QTR Jan - Mar 06</b>	<b>FYTD 05-06</b>	<b>CYTD 2006</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>TOTAL PLAN</b>									
SJ1CA1 TOTAL FUND	207,119,151	1.61	4.82	12.97	4.82	16.57	18.30	8.35	9.50
CALPERS POLICY INDEX		1.10	4.28	11.33	4.28	14.19	16.65	7.52	8.59
ACTUAL WEIGHTED TOTAL FUND INDEX		1.33	4.38	10.09	4.38	12.72	16.39	7.54	8.50
<b>GLOBAL EQUITY</b>									
<b>DOMESTIC</b>									
SH8CA1 TOT DOM EQ+IND HG+ENV EX VENT, HDG, CG	80,897,184	1.81	5.22	11.95	5.22	14.50	19.04	5.63	9.30
WILSHIRE 2500 EX TOBACCO (BLENDED)		1.81	5.22	11.70	5.22	14.30	18.91	5.37	8.94
<b>INTERNATIONAL - EXTERNAL</b>									
SHBCA1 INTL TOT EXT EQ+MDP+IND HG, EX OVLY EX VT	31,959,138	3.03	10.06	28.49	10.06	28.55	33.26	11.29	7.92
SHBKA1 INTL TOT EXT EQ+MDP+IND HG+OVLY EX VT	32,085,147	3.20	9.76	29.14	9.76	30.98	32.64	10.37	8.20
CALPERS FTSE A-W X US/SSGA BLEND		2.89	9.64	27.59	9.64	27.54	33.04	11.21	7.81
<b>INTERNATIONAL - INTERNAL</b>									
SWB3 INTERNAL INTERNATIONAL EQUITY INDEX	14,292,114	3.27	9.61	26.09	9.61				
CALPERS FTSE DEV WORLD EX US & TOBACCO		3.21	9.57	25.90	9.57				
SWCG INTERNATIONAL EQUITY TRANSITION	13,351	2.63	12.01		12.01				
<b>HEDGE FUND INVESTMENTS</b>									
SNLCA1 TOTAL ARS PROGRAM COMPOSITE	2,281,827	1.75	5.76	12.39	5.76	14.20	12.39		
TOTAL ARS PROGRAM BLENDED INDEX		0.69	2.00	5.85	2.00	8.00	12.03		
<b>CORPORATE GOVERNANCE</b>									
SWMKA1 CORPORATE GOVERNANCE	4,322,795	3.27	5.31	18.10	5.31	25.09	36.37	17.51	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		2.88	6.15	24.09	6.15	24.59	27.01	9.36	
<b>MDP DOM FIXED INCOME-INVESTMENTS</b>									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	179,347	-0.94	-0.48	-0.50	-0.48	1.98	4.11		
CITIGROUP BROAD INVESTMENT GRADE		-1.02	-0.67	-0.70	-0.67	2.40	3.03	5.15	6.30
<b>GLOBAL FIXED INCOME</b>									
<b>DOMESTIC</b>									
SJDKA1 TOTAL DOM FIXED	44,047,686	-1.83	-1.21	-0.81	-1.21	3.34	5.61	6.76	7.50
CALPERS CUSTOM LEH LPF		-2.05	-1.77	-2.40	-1.77	2.20	3.92	6.16	7.07
<b>INTERNATIONAL</b>									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	6,058,982	-1.31	0.15	-3.33	0.15	-5.32	6.06	8.61	5.22
CALPERS WORLD GOVT EX US		-1.14	0.14	-3.35	0.14	-5.88	5.32	8.44	4.62
<b>CASH EQUIVALENTS</b>									
SJVKA1 TOTAL CASH	708,364	0.39	1.10	3.19	1.10	3.96	2.30	2.53	4.24
CALPERS CUSTOM STIF NET OF FEES		0.38	1.09	2.97	1.09	3.71	2.09	2.24	3.91
<b>ALTERNATIVE INVESTMENTS</b>									
SJAIM AIM COMPOSITE	10,515,248	0.15	5.18	13.34	5.18	28.38	15.84	3.59	
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	10,364,714	0.08	5.10	13.34	5.10	28.58	15.74	3.60	12.57
PERS WILSHIRE 2500/CYFU BLEND		1.87	5.73	18.19	5.73	23.94	14.10	3.18	7.82
SW2V AIM DISTRIBUTION STOCK	150,534	5.36	12.86	4.52	12.86	9.80	24.83	5.89	
<b>REAL ESTATE</b>									
SW3CA1 CORE REAL ESTATE	5,656,359	8.61	8.85	30.14	8.85	48.73	27.38	20.34	17.18
SW7KA1 TOTAL NON-CORE REAL ESTATE	5,978,032	13.93	14.78	30.94	14.78	38.29	32.41	20.36	16.68
NCREIF PROPERTY 1 QTR LAG INDEX		5.43	5.43	15.99	5.43	20.06	14.42	11.40	12.10

(1) SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank  
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

Excludes MDP venture accounts in composites SW9C, SWDC.

This report prepared by State Street Bank

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**CIO REPORT**  
**NET RATES OF RETURN**  
**Period Ending March 31, 2006**  
**Investment Committee Meeting May 2006**

	<b>MKT VAL</b> <b>(000'S)</b>	<b>One Month</b> <b>Mar 06</b>	<b>QTR</b> <b>Jan - Mar 06</b>	<b>FYTD</b> <b>05-06</b>	<b>CYTD</b> <b>2006</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
<b>TOTAL PLAN</b>									
SJ1CA1 TOTAL FUND	207,119,151	1.53	4.74	12.69	4.74	16.10	17.97	8.09	9.34
CALPERS POLICY INDEX		1.10	4.28	11.33	4.28	14.19	16.65	7.52	8.59
ACTUAL WEIGHTED TOTAL FUND INDEX		1.33	4.38	10.09	4.38	12.72	16.39	7.54	8.50
<b>GLOBAL EQUITY</b>									
<b>DOMESTIC</b>									
SH8CA1 TOT DOM EQ+IND HG+ENV EX VENT, HDG, CG	80,897,184	1.81	5.22	11.93	5.22	14.47	19.01	5.61	9.28
WILSHIRE 2500 EX TOBACCO (BLENDED)		1.81	5.22	11.70	5.22	14.30	18.91	5.37	8.94
<b>INTERNATIONAL - EXTERNAL</b>									
SHBCA1 INTL TOT EXT EQ+MDP+IND HG, EX OVLY EX VT	31,959,138	3.02	10.04	28.42	10.04	28.46	33.18	11.23	7.88
SHBKA1 INTL TOT EXT EQ+MDP+IND HG+OVLY EX VT	32,085,147	3.19	9.73	29.06	9.73	30.87	32.55	10.30	8.15
CALPERS FTSE A-W X US/SSGA BLEND		2.89	9.64	27.59	9.64	27.54	33.04	11.21	7.81
<b>INTERNATIONAL - INTERNAL</b>									
SWB3 INTERNAL INTERNATIONAL EQUITY INDEX	14,292,114	3.27	9.61	26.09	9.61				
CALPERS FTSE DEV WORLD EX US & TOBACCO		3.21	9.57	25.90	9.57				
SWCG INTERNATIONAL EQUITY TRANSITION	13,351	2.63	12.01		12.01				
<b>HEDGE FUND INVESTMENTS</b>									
SNLCA1 TOTAL ARS PROGRAM COMPOSITE	2,281,827	1.69	5.69	12.19	5.69	13.95	12.08		
TOTAL ARS PROGRAM BLENDED INDEX		0.69	2.00	5.85	2.00	8.00	12.03		
<b>CORPORATE GOVERNANCE</b>									
SWMKA1 CORPORATE GOVERNANCE	4,322,795	3.27	5.23	18.02	5.23	24.87	35.72	17.01	
CALPERS TOTAL CORP GOV WEIGHTED INDEX		2.88	6.15	24.09	6.15	24.59	27.01	9.36	
<b>MDP DOM FIXED INCOME-INVESTMENTS</b>									
SN1KA1 MDP DOM FIXED INCOME-INVESTMENTS	179,347	-0.98	-0.51	-0.61	-0.51	1.83	3.88		
CITIGROUP BROAD INVESTMENT GRADE		-1.02	-0.67	-0.70	-0.67	2.40	3.03	5.15	6.30
<b>GLOBAL FIXED INCOME</b>									
<b>DOMESTIC</b>									
SJDKA1 TOTAL DOM FIXED	44,047,686	-1.83	-1.22	-0.82	-1.22	3.33	5.60	6.74	7.49
CALPERS CUSTOM LEH LPF		-2.05	-1.77	-2.40	-1.77	2.20	3.92	6.16	7.07
<b>INTERNATIONAL</b>									
SJDCA1 TOTAL INTERNATIONAL FIXED INCOME	6,058,982	-1.32	0.13	-3.38	0.13	-5.39	5.98	8.53	5.14
CALPERS WORLD GOVT EX US		-1.14	0.14	-3.35	0.14	-5.88	5.32	8.44	4.62
<b>CASH EQUIVALENTS</b>									
SJVKA1 TOTAL CASH	708,364	0.39	1.10	3.19	1.10	3.96	2.30	2.53	4.24
CALPERS CUSTOM STIF NET OF FEES		0.38	1.09	2.97	1.09	3.71	2.09	2.24	3.91
<b>ALTERNATIVE INVESTMENTS</b>									
SJAIM AIM COMPOSITE	10,515,248	0.15	5.18	13.32	5.18	28.36	15.83	3.58	
SJXKA1 AIM: PARTNERSHIP & DIRECT INVESTMENTS	10,364,714	0.08	5.10	13.34	5.10	28.58	15.74	3.60	12.57
PERS WILSHIRE 2500/CYFU BLEND		1.87	5.73	18.19	5.73	23.94	14.10	3.18	7.82
SW2V AIM DISTRIBUTION STOCK	150,534	5.36	12.55	3.31	12.55	8.34	23.67	4.74	
<b>REAL ESTATE</b>									
SW3CA1 CORE REAL ESTATE	5,656,359	8.32	8.55	26.02	8.55	39.19	23.36	17.50	15.38
SW7KA1 TOTAL NON-CORE REAL ESTATE	5,978,032	11.04	11.87	24.54	11.87	30.25	25.51	15.65	13.56
NCREIF PROPERTY 1 QTR LAG INDEX		5.43	5.43	15.99	5.43	20.06	14.42	11.40	12.10

<sup>(1)</sup> SJXKA1 actual inception 3/90, returns only available since conversion to State Street Bank Excludes MDP venture accounts in composites SW9C, SWDC.  
Private Real Estate valued at prior quarter-end; Public Real Estate valued at current month-end.

*This report prepared by State Street Bank*

## Quarterly Reports

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### Status Report

- There were 4 (four) items reported.
- In the quarter ending March 31, 2006, CalPERS received 38 (thirty-eight) public record requests.
- Detailed Reporting is contained in the supplemental reporting document.

### Closed Session Transactions

- There were 4 (four) closed session transactions reported to the Board in Open Session per the requirements of California Government Code Section 20191.5 and the current CalPERS Board of Administration Statement of Policy & Procedures for Closed Sessions.

## Activity Reports – March 31, 2006

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- Staff prepares activity reports for the AIM, Absolute Return Strategies and Opportunistic Real Estate Programs. Detailed reports and investment summaries for the AIM and Risk Managed Absolute Return Strategies are included in the supplemental reporting document. Opportunistic Real Estate Investments will be reported below as they occur.

### AIM Activity Report

Activity	Month	2004	2005	2006 YTD	Since Inception
Investment Proposals Received	25	381	316	56	5837
Declined/Referred/Failed to Materialize	8	223	430	19	4612
Deals in Screening	78	397	318	56	2851
Due Diligence Reviews	34	65	59	19	555

### Risk Managed Absolute Return Strategies Program Activity Report

Activity	2004	2005	2006 YTD	Since Inception
Information Received	59	59	17	574
Declined	12	7	0	242
Deals in Screening	45	58	14	317
Due Diligence Reviews	5	22	8	51
Approved by ARS Board	5	22	8	49
Funded Investments (\$ Millions)	\$149	\$783	\$340	\$1,851

### Opportunistic Real Estate Investments Activity Report

Activity	Month
Fortress Fund IV JER Europe Fund III	March 2006

## **Quarterly Reports**

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According to policy requirements, the following is summary information extracted from the quarterly reports prepared for Investment Committee consideration. All Quarterly Reports are presented as of quarter ending March 31, 2006, except Real Estate Reports which is for the quarter ending December 31, 2005. Executive Summaries and Full Reports are available in the supplemental reporting document.

### **AIM Program Quarterly Review:**

#### **Portfolio Summary**

- As of December 31, 2005, the AIM Program had \$27.7 billion of active commitments. Commitments to exited investments totaled \$1.9 billion, bringing since inception commitments to \$29.6 billion.
- Since inception, the AIM Program has made contributions of \$18.8 billion and received distributions of \$14.8 billion. Of the \$14.8 billion in distributions, \$8.0 billion represents realized gains, income and dividends. The Program has become self-funding. During 2005, distributions exceeded contributions by \$0.4 billion.
- Due to the young relative age of the AIM portfolio, a large amount of the committed capital has not been called. At December 31, 2005, 37% of the active capital commitments, or \$10.3 billion, remained unfunded.

#### **Performance**

- Fully realized investments have provided a since inception return of 17.6%. This represents a 1.6x return of contributed capital.
- As of December 31, 2005, the weighted average age of all of the current investments in the AIM portfolio was 4.6 years. Consequently, a large portion of the portfolio is in the early stage of its investment life, when payment of fees has not been offset by young investments that are held at cost. This is known as the J-Curve effect.
- To address the young age of the partnership portfolio, CalPERS adopted a short-term benchmark, the Venture Economics Custom Young Fund Universe. The benchmark measures performance of the AIM partnerships in the first five years of life against a similarly aged universe of Venture Economics data. As of December 31, 2005, the AIM young fund net internal rate of return ("IRR") was 19.6% which exceeded the preliminary estimate of the Custom Young Fund Universe median return of 3.6% by 1,600 basis points. The AIM Program is displaying solid returns for a young portfolio.
- Since inception to December 31, 2005, the AIM Program generated a net IRR of 12.2%. At December 31, 2005, the public market ten-year rolling average return for the CalPERS' Custom Wilshire 2500 Index was 9.0%. The public markets have been recovering over the past few years, but there is typically a lag in the valuations in the private market relative to those in the public markets.

#### **Portfolio Activity**

- 11 new commitments were authorized during the fourth quarter of 2005 for a total of \$1.2 billion.
- During the fourth quarter of 2005 the AIM Program received 91 investment opportunities. During the same period, GSA reviewed 96 investment opportunities on behalf of CEV I, II and III. Both the AIM Program and GSA may have reviewed some of the same opportunities.
- During 2005, the AIM Program contributed \$2,730.9 million to and received distributions of \$3,155.4 million from the underlying portfolio. Of the \$3,155.4 million in distributions, \$1,597.5 million represents income and realized gains.

## Quarterly Reports

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### Proxy Voting Quarterly Report Results:

The following table provides a summary of CalPERS' internal proxy voting results for the period. Staff continues to update this table to provide the Committee with a 5-quarter rolling analysis of CalPERS' proxy voting results.

Period	Approximate Number of Meetings Voted	Approximate Number of Individual Items Voted	Number of Shareowner Proposals Voted	Percent of Shareowner Proposals Supported
01/01/06 to 03/31/06	519	2699	55	63%
10/01/05 to 12/31/05	531	2614	31	87%
07/01/05 to 09/30/05	397	2100	16	68%
04/01/05 to 06/30/05	3274	20054	575	74%
01/01/05 to 03/31/05	660	2958	46	48%

\*\*Source: ProxyEdge

In addition to the summary above, we have prepared detailed reports of CalPERS' proxy votes cast during the period January 1, 2006 to March 31, 2006, as attachments for this item. Although the attachments are not included in the agenda materials due to their size, they may be requested through the Investment Committee Secretary.

**Attachment 1** contains the internal proxy voting decisions made in CalPERS' domestic portfolios and CalPERS' international portfolios, including staff's comments.

**Attachment 2** contains the proxy votes for the Small Cap Index Fund (SW9P) that were cast on behalf of CalPERS between January 1, 2006 to March 31, 2006. To support resource constraints, CalPERS hired Glass Lewis & Co. to vote the approximately 2500 proxies (per year) within the Small Cap Fund.

## Quarterly Reports

### Proxy Voting Quarterly Report Results (cont.)

#### PROXY VOTING HIGHLIGHTS FOR THE DOMESTIC AND INTERNATIONAL PORTFOLIOS

##### A. Domestic Proxy Voting

A sampling of domestic proxy votes cast **against** management from January 1, 2006 to March 31, 2006 includes:

##### 1) Egregious executive compensation plans:

Company	Cost Analysis	Additional Factors <sup>(5)</sup>
Walgreen Co. 1/11/06	The cost of the plan compared to the financial performance of the company was outside one standard deviation when compared to similar plans. <sup>(4)</sup>	Vesting is less than four years and a significant portion of equity grants are not performance based.
Ameritrade Holding Corp. 1/04/06	The plan allows reload stock options.	The plan permits repricing without shareowner approval.
Jabil Circuit Inc. 1/20/06	Shareholder Value Transfer <sup>(1)</sup> : 12.42%, Allowable Cap <sup>(2)</sup> : 10.52%, and Voting Power Dilution <sup>(3)</sup> : 13.92%	The plan does not contain a significant portion of performance-based grants.
Quiksilver Inc. 3/24/06	Shareholder Value Transfer <sup>(1)</sup> : 11.24%, Allowable Cap <sup>(2)</sup> : 10.00%, and Voting Power Dilution <sup>(3)</sup> : 11.84%	The plan does not contain a significant portion of performance-based grants.

- I. Shareholder Value Transfer - Dollar cost to the company of all stock option plans as participants exercise awards expressed as a percent of market value. Source: Institutional Shareholder Services.
- II. Allowable Cap - Based on benchmark shareholder value transfer levels for the company's industry, expressed on a percent of market value. Source: Institutional Shareholder Services.
- III. Voting Power Dilution - Share allocation from all stock option plans as a percent of share allocation plus shares outstanding. Source: Institutional Shareholder Services.
- IV. Glass Lewis & Co. evaluates equity-based plans using twenty different analyses, comparing the program with both absolute limits and a carefully chosen peer group. The model seeks to determine if the proposed plan is either more than one standard deviation away from the average plan for the peer group, on a range of criteria, or exceeds one of the absolute limits.
- V. At the June 16, 2003 meeting, the CalPERS Board of Directors approved additional policy issues to be applied to voting in relation to compensation plans.

## Quarterly Reports

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### Proxy Voting Quarterly Report Results (cont.)

#### 2) Shareowner proposals:

CalPERS voted **in favor** of the following shareowner proposals:

Company	Meeting	Proposal	Reason
Costco Corp.	1/25/06	Repeal Classified Board	CalPERS believes annual elections foster accountability.
Becton Dickinson & Co.	1/31/06	Request Environmental Reporting	CalPERS believes this will not pose long-term harm to the company.
Emerson Electric Co.	2/7/06	Shareowner proposal regarding Severance Agreements	CalPERS supports asking companies to seek shareowner approval on executive compensation policies.
Analog Devices Inc.	3/14/06	Majority Vote in Director Elections	CalPERS is a firm supporter of greater director accountability.
Lennar Corp.	3/30/06	Performance-Based Options	CalPERS is a firm supporter of performance-based compensation.

CalPERS voted **against** the following shareowner proposals:

Company	Meeting	Proposal	Reason
Lucent Technologies Inc.	2/15/06	Disclose political contributions in newspapers	CalPERS believes the forum for disclosure should be at the discretion of the company.

#### 3) Proxy Contests

There were no significant proxy contests during the quarter.

## Quarterly Reports

### Proxy Voting Quarterly Report Results (cont.)

#### 4) Mergers

Target	Acquirer	Date	Vote	Rationale
Dex Media Inc.	R.H. Donnelley Corp.	1/23/06	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.
Alamosa Holdings	Sprint Nextel Corp.	1/27/06	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.

#### 5) Website votes

The following is a sample of Website votes cast during the quarter:

Company/Date	Issue	Vote	Reason
BJ Services Co. 1/31/06	Increase Authorized Shares	Against	CalPERS believes the company currently has sufficient shares for business operations.
Emerson Electric Co. 2/7/06	Directors	Withhold vote from nominee A. Golden	Nominee is an affiliate that sits on the Nominating Committee.
International Game Technologies 3/7/06	Directors	Withhold vote from nominee R. Miller	Nominee is an affiliate that sits on the Compensation Committee.

#### B. International Proxy Voting

A sampling of International proxy votes cast **against** management during the quarter:

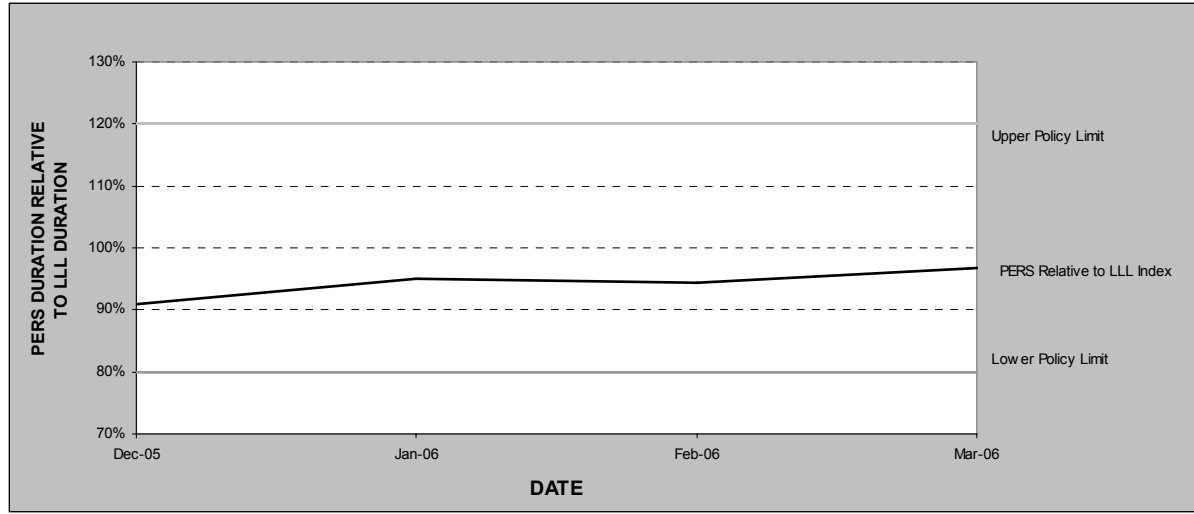
Company	Country	Date	Issue	Reason
Accor SA	France	1/9/06	Approve stock option grants	The company has not disclosed adequate information for shareowner approval.
Barloworld LTD	South Africa	1/26/06	Approve stock option grant	The plan does not contain defined performance criteria.
Australian Wealth Management LTD	Australia	2/15/06	Approve option issuance	The plan does not contain any performance hurdles.



## Quarterly Reports

### Internally Managed Domestic Fixed Income Report:

#### I. Interest Rate Risk



#### II. Sector Risk

SECTOR	PERMISSIBLE RANGE	LONG LIABILITY	6/30/2005 PERS	9/30/2005 PERS	12/31/2005 PERS	3/31/2006 PERS
Government	0-50	40	36	34	33	31
Mortgages	10-60	30	34	34	35	35
Sovereigns	0-15	3	2	2	2	2
Investment Grade Corporates	10-60	24	25	25	25	27
Opportunistic <sup>1</sup>	0-19	3	5	5	6	5

<sup>1</sup> High Yield

#### III. Violations to Policy: None

## Quarterly Reports

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### Internally Managed Short-Term Fund Report:

#### I. Interest Rate Risk

The weighted-average days to maturity of the Short-Term Fund was 1.9 days.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	62.1
U.S. Treasury and Agencies	100	0.0
Repurchase Agreements	20	0.0
Corporate Securities	100	37.8
Asset-Backed Securities	25	0.1
Total Short-Term Fund		<u>100.0%</u>

#### Credit Quality

Securities rated A1/P1 or higher	100%	99.4
Total Split Rated and A2/P2	30	.6
Total Short-Term Fund		<u>100.0%</u>

#### Other Restriction

Total Floating Rate Exposure	50%	0.0%
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#### III. Violations To Policy

There were no policy violations this quarter:

## Quarterly Reports

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### Internally Managed Short Duration Fund Report:

#### I. Interest Rate Risk

The portfolio duration of the Short Duration Fund was 0.07.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings*</u>
State Street Bank STIF	100%	.15
AAA Structured Securities	100	60.93
Non AAA Structured Securities	50	12.32
Bridge Loans	100	0.35
Money Market Securities ( $\geq$ A1/P1)	100	2.88
Money Market Securities ( $<$ A1/P1)	25	1.99
Total Corporate Securities	50	6.97
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	64.31
Total Split Rated and A2/P2 (ST) or non-AAA (LT)	50	21.28
<u>Other Restriction</u>		
Total Fixed Rate Exposure ( $>$ 35 day maturity)	35%	2.35

\*Based on \$1 Billion portfolio, thus will not add to 100%

#### III. Violations To Policy

There were no policy violations this quarter.

## Quarterly Reports

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### Internally Managed High Quality LIBOR Fund Report:

#### I. Interest Rate Risk

The portfolio duration of the High Quality LIBOR Fund was 0.06.

#### II. Asset Allocation by Asset Type and Credit Quality, and Other Policy Limits

<u>Asset Type</u>	<u>Policy Limits</u>	<u>Portfolio Holdings</u>
State Street Bank STIF	100%	2.33
AAA Floating Rate Structured Securities	100	71.63
AAA Fixed Rate Structured Securities	20	0.00
Money Market Securities ( $\geq$ A1/P1)	100	24.66
Money Market Securities ( $<$ A1/P1)	25	1.38
High Quality Libor Fund		100.0%
<u>Credit Quality</u>		
Securities rated AAA (LT) or A1/P1 (ST) or higher	100%	98.62
Total Split Rated and A2/P2 money market securities ( $>$ 1 day maturity)	25	1.38
High Quality Libor Fund		100.0%
<u>Other Restriction</u>		
Total Fixed Rate Exposure ( $>$ 35 day maturity)	20%	0.00%

#### III. Violations To Policy

There were no policy violations this quarter.

## Quarterly Reports

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### Member Home Loan Program Report:

- **Program to Date**, CalPERS has purchased a total of 126,221 loans totaling \$19.808 billion dollars (figure does not include Personal Loans).
- **Purchases for the Quarter Ending 03/31/06**, were \$59,224 million dollars (figure includes Personal Loans).
- **Portfolio Holdings as of 03/31/06** were \$661.9 million dollars.
  - Mortgage Loan Delinquencies (MBA vs. CalPERS) as of 12/31/05:
  - Fannie Mae MBS Delinquencies increased by 1 bps
- **MBA delinquency statistics increased by 3 bps (No exposure to CalPERS);**
- **Whole Mortgage Loan Delinquencies as of 03/31/06** decreased by 18 bps.
- **Percentage of Personal Whole Loan Delinquency as of 03/31/06** decreased by 1.26%.
- **Number of Lending Institutions participating in the MHLP** is 42 with a total of 599 branch locations statewide.
- **CMI CalPERS Pipeline & Purchase Information for YTD ending 03/031/06:**

Committed not Purchased:	269	\$ 71,745,582	
Total Commitments Issued (YTD):	445	\$117,008,169	<b>Avg/month: \$39,002,723.00</b>
Total Purchased (YTD):	334	\$ 82,160,692	<b>Avg/month: \$27,386,897.33</b>
Purchase/Refinance Percentage (%):	30%/71%		

### Points of Interest - 1<sup>st</sup> Quarter, 2006

Director-Sacramento Site, Angela Mia  
Customer Relations Supervisor, Bonnie McKee  
Communications Manager, Christine Schmidt

### Marketing/Lead Tracking Report (Top 5 categories)

Benefit Fair/Conference	471 leads	= 26.85% (of total leads)
Co-Worker Referral	331 leads	= 18.87%
Benefit Fair/Conf/Seminar	267 leads	= 15.80%
Paycheck Stuffer	251 leads	= 14.31%
Agency Publication	172 leads	= 9.806%

Total leads generated in 1<sup>st</sup> Quarter, 2006 = 1,754

## **Quarterly Reports**

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### **Member Home Loan Program Report (cont.)**

#### **CalPERS Website Updates:**

The CalPERS Website was updated to reflect new assumptions being used in to calculate the APR's for the different interest rates.

#### **CalPERS Publications:**

The State Controller's office has set aside three distributions of payroll stuffers for the active state employees this year for MHLP. This payroll stuffer distribution is responsible for 2,097 leads (13.51% of total leads generated) for MHLP.

We have scheduled payroll stuffer distributions for 265K active state employees for March 1<sup>st</sup>, June 1<sup>st</sup> and October 1<sup>st</sup> 2006. This payroll stuffer distribution is responsible for 2,097 leads (13.51% of total leads generated) for MHLP. Lead goal (per each distribution) = 300; Lead referral goal = 75 (25%); Loan goal = 6 (8% conversion).

## Quarterly Reports

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### Real Estate Report:

- **Total Portfolio Performance** – The one-year (as of December 31, 2005) total return for the Total Real Estate Portfolio was 45.3 percent before fees and 35.4 percent after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 10.9 percent as of December 31, 2005, with the income component generating a 7.3 percent return and the appreciation component generating a 3.6 percent return.
- **Core Portfolio Performance** – The one-year (as of December 31, 2005) total return for the Core Portfolio was 48.1 percent before fees and 38.5 percent after fees. The nominal after fee total return (since inception) for the Core Portfolio was 10.6 percent as of December 31, 2005, with the income component generating a 7.9 percent return and the appreciation component generating a 2.7 percent return. The total before fee returns for the Retail sector, which reflect the December 31, 2005 valuations, were 23.8 percent for the current quarter and 52.0 percent for the one-year as compared to the NCREIF Retail sector which reported a 6.0 percent current quarter return and a 20.0 percent one-year return.
- **Non-Core Portfolio Performance** – The one-year (as of December 31, 2005) total return for the Non-Core Portfolio was 35.6 percent before fees and 27.2 percent after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 11.0 percent as of December 31, 2005, with the income component generating a 4.9 percent return and the appreciation component generating a 6.1 percent return. The total return for the Non-Core Portfolio continues to be positively impacted by the Housing Program and the California Urban Real Estate (CURE) Program, which are the two largest programs in the Non-Core Portfolio. The Housing Program generated a 7.3 percent before fee return for the current quarter and a 29.3 percent before fee return for the one-year period. Additionally, the CURE program generated a 15.4 percent before fee return for the current quarter and a 27.2 percent before fee return for the one-year period.
- **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for all periods, as shown in the following chart on page I - 4, titled Total Real Estate Portfolio, Comparison to NCREIF Index, Nominal Returns, Before Fees. In addition, the Core Portfolio and Non-Core Portfolio outperformed the Index for all periods. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5 percent for the Core Portfolio and exceed 5 percent for the Non-Core Portfolio. The Core, Non-Core, and Total Portfolios have all exceeded the 5 percent real rate of return benchmark for all periods, as shown in the following chart on page I - 5 titled *Total Real Estate Portfolio, Comparison to Real Rate of Return, Benchmark, After Fees*.

## Investment Transactions – February 28, 2006

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Investment Transactions are reported to the Investment Committee for review under the requirements of California Government Code Section 20191. Information is provided in summary format in this consolidated document. Full reporting is available in the supplemental reporting document.

### **Portfolio Summary and Transactions Report:**

- Purchases – Internal Management (Page 26)
- Sales – Internal Management (Page 27)
- Currency Hedge Portfolio Summary (Page 28)
- Currency Hedge Portfolio Transactions (Page 28)

### **Investment Transaction Information as of 02/28/2006:** [\(full reporting is available in the supplemental reporting document\)](#)

- Fixed Income Transactions
  - Internal Domestic
  - External International and High Yield
  - Special Mortgage Investment Program Transactions
  - High Yield Performance
- Equity Summary & Transactions
  - Internal Domestic
  - Corporate Actions
  - External Domestic
  - External International
- Internal Programs
  - Closed Real Estate Transactions Summary
    - Dispositions Summaries
      - CalEast/LaSalle – Chicago Land Holdings, CalPERS equity share \$210,385.00
      - Blackrock Realty – Regency at Skyport condominium, CalPERS equity share \$1,071,413.00
      - Blackrock Realty – Regency at Skyport condominium, CalPERS equity share \$3,687,075.00
      - Blackrock Realty – Regency at Skyport condominium, CalPERS equity share \$1,810,654.00
      - IHP Fund IV – Wesport Storage, CalPERS equity share \$7,644,749.00
      - IHP Fund IV – Braddock Mini warehouse, CalPERS equity share \$1,642,000.00
    - Acquisitions Summaries
      - Buchanan Street – Hughes Airport Center II, CalPERS equity share \$28,872,960.00
      - Kennedy Associates – Hyatt Regency Islandia, CalPERS share \$24,873,807.00
      - CalEast/LaSalle – Aeroterm Cargex Air Cargo, CalPERS equity share \$1,745,756.00
      - CalEast/LaSalle – NATM Cargex Truck Terminal, CalPERS equity share \$31,834,432.00
      - Buchanan Street – Shadow Creek Town Center, CalPERS equity share \$17,076,480.00
      - CalSmart/Rreef – Rialto Industrial Center, CalPERS equity share \$964,758.00



## Investment Transactions – February 28, 2006

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**Investment Transaction Information as of 02/28/2006 (continued):** [\(full reporting is available in the supplemental reporting document\)](#)

- AIM Program Transactions
- Summary Listing of Capital Calls and Aggregate Distributions
- AIM Program Investments Completed under Delegation of Authority
  - Investment Summaries
    - ArcLight Energy Partners Fund III, LP – \$200 million commitment
    - Aisling Capital II, LP – \$80 million commitment
    - Francisco Partners II, LP – \$175 million commitment
    - KKR European Fund II, LP – €150 million commitment
    - TPG Biotechnology Partners II, LP – \$70 million commitment
    - TowerBrook Investors II, LP – \$200 million commitment
- Internally Managed Derivative Transactions Summary
  - Investment Summaries
    - Futures purchases, \$0.9 million notional
    - Futures sales, \$0.2 million notional
    - Interest Rate Swap purchase, \$10 million notional
- Risk Managed Absolute Return Strategies Program Items Completed Under Delegation of Authority
  - Investment Summaries
    - SPARX Blue Diamond Fund, L.P – \$75 million initial contribution

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

February 28, 2006

#### PURCHASES

##### INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>ANNUALIZED YIELD</u>	<u>%OF LONG TERM PURCHASES</u>
<b><u>ALTERNATIVE INVESTMENTS:</u></b>				
Partnership Component	436.5	\$489.3	N/A	5.21%
<b><u>BONDS:</u></b>				
Utilities & Industrials	939.8	\$987.7	6.05%	10.53%
Sovereign	<u>137.0</u>	<u>137.5</u>	4.71%	<u>1.46%</u>
Total	1076.8	\$1,125.2		11.99%
<b><u>GOVERNMENTS:</u></b>				
U.S. Agencies & Treasuries	236.4	\$230.8	5.15%	2.46%
<b><u>MORTGAGE SECURITIES:</u></b>				
Pass-Through	400.5	\$393.4	5.66%	4.19%
CMO	<u>0.0</u>	<u>0.0</u>	0.00%	<u>0.00%</u>
Total	400.5	\$393.4		4.19%
<b><u>EQUITIES:</u></b>				
Common Stock		\$3,428.0	N/A	36.53%
<b>EXTERNAL MANAGEMENT</b>				
<b><u>EQUITIES AND FIXED INCOME:</u></b>				
International Common Stock		\$1,871.0	N/A	19.94%
Domestic Common Stock		1,364.2	N/A	14.54%
International Fixed Income		<u>483.0</u>	N/A	<u>5.15%</u>
Total		\$3,718.1		39.62%
<b>TOTAL PURCHASES:</b>		<b>\$9,384.7</b>		<b>100%</b>

## Portfolio Summary and Transactions

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### INVESTMENT TRANSACTIONS SUMMARY

(\$ Millions)

February 28, 2006

#### SALES

#### INTERNAL MANAGEMENT

	<u>PAR</u>	<u>COST</u>	<u>PROCEEDS</u>	<u>GAIN/ LOSS</u>
<b><u>ALTERNATIVE INVESTMENTS:</u></b>				
Partnership Component	10.0	\$0.3	\$0.3	\$0.0
<b><u>BONDS:</u></b>				
Utilities & Industrials	75.6	\$102.5	\$108.2	\$5.6
Sovereign	<u>66.7</u>	<u>80.9</u>	<u>80.6</u>	<u>(0.2)</u>
Total	142.3	\$183.4	\$188.8	\$5.4
<b><u>GOVERNMENTS:</u></b>				
U.S. Agencies & Treasuries	819.4	\$904.7	\$889.3	(\$15.3)
<b><u>MORTGAGE SECURITIES:</u></b>				
Pass-Through	400.5	\$396.6	\$393.8	(2.9)
CMO	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	400.5	\$396.6	\$393.8	-\$2.9
<b><u>EQUITIES:</u></b>				
Common Stock		\$3,252.1	\$3,360.1	\$108.0
<b>EXTERNAL MANAGEMENT</b>				
<b><u>EQUITIES AND FIXED INCOME:</u></b>				
International Common Stock		\$1,259.6	\$1,513.2	\$253.6
Domestic Common Stock		1,231.4	1,271.4	\$40.0
International Fixed Income		<u>501.7</u>	<u>501.3</u>	<u>(0.4)</u>
Total		\$2,992.7	\$3,285.9	\$293.2
<b>TOTAL SALES:</b>		<b>\$7,729.8</b>	<b>\$8,118.3</b>	<b>\$388.4</b>

## Portfolio Summary and Transactions

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### CURRENCY HEDGE PORTFOLIO SUMMARY

(\$ Millions)

February 28, 2006

<u>PENDING FX CONTRACTS</u>	<u>COST</u>	<u>MARKET VALUE</u>
Total FX Purchased	\$2,889.0	\$2,883.1
Total FX Sold	\$9,788.4	\$9,704.6

### CURRENCY OPTIONS

Currency Puts	\$65.0	\$65.0
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"For FX purchased, a market value higher than book value means the contracts have an unrealized gain as of the valuation date. For FX sold, a market value lower than book value means the contracts have an unrealized gain as of the valuation date."

### CURRENCY HEDGE TRANSACTION SUMMARY

(\$ Millions)

February 28, 2006

<u>PURCHASES</u>	<u>COST</u>
Pending FX Contracts	\$292.2

<u>SALES</u>	<u>PROCEEDS</u>
Pending FX Contracts	\$1,350.7

## Affiliate Funds Report- March 31, 2006

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Staff has compiled the following investment transaction and portfolio summary reports prepared by the Custodian for the Affiliate Funds for the month ending March 31, 2006.

**Affiliate Funds Allocation and Transaction Reports:** [\(full reporting is available in the supplemental reporting document\)](#)

### Legislators' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
AFFILIATE TIPS	\$141,313,155	52.352	\$135,551,556	49.841
LEG-INTERNATIONAL - SSGA	\$7,624,377	2.825	\$13,796,488	5.073
LEGISTRATORS RETIREMENT TOTAL FUND	\$120,992,112	44.824	\$122,620,475	45.086
<b>TOTAL</b>	<u>\$269,929,645</u>	100.000	<u>\$271,968,518</u>	100.000

### Judges' Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUD-INTERNAL SHORT TERM - CALPERS	\$35,484	100.000	\$35,484	100.000
<b>TOTAL</b>	<u>\$35,484</u>	100.000	<u>\$35,484</u>	100.000

## Affiliate Funds Report- March 31, 2006

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### Judges II Retirement Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
JUDGES II - INTERNATIONAL - SSGA	\$22,508,439	13.083	\$40,431,092	20.524
JUDGES II TOTAL FUND	\$149,540,579	86.917	\$156,564,508	79.476
<b>TOTAL</b>	<u>\$172,049,018</u>	100.000	<u>\$196,995,600</u>	100.000

### Public Employees' Medical & Hospital Care Act Contingency Reserve Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
CRF INTERNAL SHORT TERM - CALPERS	\$6,359,688	100.000	\$6,359,688	100.000
<b>TOTAL</b>	<u>\$6,359,688</u>	100.000	<u>\$6,359,688</u>	100.000

### Volunteer Firefighters Length of Service Award Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
VFF INTERNAL SHORT TERM - CALPERS	\$2,891,215	100.000	\$3,118,531	100.000
<b>TOTAL</b>	<u>\$2,891,215</u>	100.000	<u>\$3,118,531</u>	100.000

## Affiliate Funds Report- March 31, 2006

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### Supplemental Contribution Fund:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SCP TOTAL FUND	\$16,083,513	86.133	\$16,971,270	79.380
SUPPLEMENTAL CONTRIBUTION - INTL EQUITY	\$2,589,456	13.867	\$4,408,421	20.620
<b>TOTAL</b>	<u>\$18,672,969</u>	100.000	<u>\$21,379,691</u>	100.000

### Self Fund Health Care:

<u>Asset</u>	<u>BOOK VALUE</u>	<u>PERCENT OF PORTFOLIO</u>	<u>MARKET VALUE</u>	<u>PERCENT OF PORTFOLIO</u>
SELF FUND HEALTH - CALPERS	\$92,990,449	100.000	\$92,909,404	100.000
<b>TOTAL</b>	<u>\$92,990,449</u>	100.000	<u>\$92,909,404</u>	100.000